foreign companies, until Anik E1 lost power.

Within two days of the breakdown, Telesat told fledgling direct-to-home broadcaster ExpressVu Inc. that it had lost its promised transponder space on the Anik Es. Without such space, ExpressVu would have no way to send its television signals to customers. Worse still, Telesat couldn't find ExpressVu space on a U.S. satellite either. But most surprisingly, ExpressVu was told it wouldn't even get space on Telesat's four proposed satellites.

Cancom tried to fill the breach. On March 29, the company, which owns 19% of ExpressVu, told Ottawa that it wanted to launch its own vehicle.

Telesat, which is heavily regulated by Industry Canada and the Canadian Radio-television and Telecommunications Commission, has refused all comment on the situation for more than two weeks.

Indeed, it postponed a news conference scheduled for last Wednesday until next week.

Binder, however, confirms that his ministry has sent a letter to the U.S. Federal Communications Commission, in which it agrees in principle to Telesat's proposal to allow its American partners on to the new satellites. The U.S. partners, meanwhile, have applied to the FCC for the right to use Canadian vehicles to deliver U.S. signals.

So far, details about the effect of Telesat's deal are sketchy. TCI told the FCC that it intends to use 27 of 32 transponders on the first of Telesat's new satellites, TCI spokeswoman LaRae Marsik told The Financial Post.

Marsik declines to reveal financial terms, although TCI, which wants to launch two satellites this fall, has not signed a final deal with Telesat.

The U.S. cable giant is also negotiating with Rupert Murdoch's MCI Communications Corp. for a satellite slot, Marsik says.

In addition, TeleQuest says it has an agreement for 22 of the 32 transponders on two of Telesat's vehicles, indicating more than 75% of the available space on the planned four satellites is already tied up.

For its part, Industry Canada says Telesat hasn't been guaranteed those slots. "Telesat does not have a monopoly on direct broadcast satellite slots," says Binder. "Anyone can come in and ask to use those spaces." In fact, Canada still has eight slots available to any comer.

But, Binder says, few Canadian companies have the $800 million needed to launch two satellites, in the case of broadcast service, without taking on a U.S. partner.

Still, Telesat's customers ask whether Ottawa's policy of relying upon one provider for cross-Canada satellite service makes sense.

Companies that rely upon the domestic service already face the business fallout from Telesat's latest technical problem.

"Current users remain concerned about capacity and the steadiness of the two (existing) satellites," says Don Braden, executive director of the Canadian Satellite Users Association.

And in a world where lost signals mean lost business, customers want the security that backup satellite facilities would bring.

Part of the reason for customer nervousness is the extent of change that has taken place in Telesat over its history.

The company, which was owned 50% by Ottawa and 50% by the country's major phone companies, was granted a monopoly over domestic satellite service in 1969 as a way of ensuring that Canadians, especially in the North, would have access to communication services. In addition, phone carriers wanted protection against lost traffic if their landline networks failed.

In the fluid world of telecommunications, however, this cosy relationship eventually began to fray and, by the early 1990s, Prime Minister Brian Mulroney's Conservative government was looking to sell off the federal share.

Alouette Telecommunications Inc., which included the Stentor group (Canada's nine major telcos) and Spar Aerospace Ltd., eventually won the remainder of the company for $154.8 million.

Once the utilities took control of Telesat, however, its aggressive direct-sales pitch to business shifted into neutral. Between 1990 and 1994, the percentage of its revenues coming from business sales stagnated at 20%. In addition, the company, which cut 38% of its workforce in 1993, gutted its business sales staff, customers say.

"All of a sudden, Telesat was shying away from direct dealing with customers," says Gerry Heckman, a former vice-president with the Royal Bank of Canada who was responsible for the bank's $125-million telecommunications operations.

Prior to the 1992 sell-off, Telesat was offering banks and other major customers large amounts of network bandwidth for their own use. After the telco takeover, "Telesat became a carrier's carrier" and stopped competing with the utilities for business customers, Heckman says.

In fact, former Telesat president Eldon Thompson, who says he resigned in 1992 over disagreements with the new owners' strategy, claims the telcos set out to limit Telesat's ability to compete with their own ground-based networks.

"We could do everything by satellite that they could do on the ground," says Thompson. "They just decided that Telesat should be cut down to size, that they would wipe out its long-term growth potential. They fired most of the brains in the company and they took it out of business communications."

His successor as president, Larry Boisvert, was left to focus mainly on broadcasting, the one service for which satellites are crucial.

Today, even though customers may be concerned about relying on the Telesat monopoly for domestic satellite service, they have few realistic alternatives.

"Running a satellite service is a risky undertaking," says Anthony Keenleyside, a lawyer with the Ottawa office of McCarthy Tetrault who has acted for Telesat.

Canada's market of 25 million people is likely too small to support a number of satellite providers. Worse still, Ottawa will have to pay a financial penalty if the government decides to end Telesat's monopoly earlier than 2002 when it is slated to end.

Currently, however, Ottawa does not appear to be overly concerned about Telesat. "As long as we are operating within the existing framework, it's business as usual," says a senior Industry Canada official.

THE FINANCIAL POST, April 15, 1996

Telesat's Times:

A short history of Canada's first, and so far only, satellite company

1969 — Telesat is created by the federal government. Ownership is split equally between Ottawa and the nation's major telephone companies.

1972 — Telesat launches Anik A1, the world's first domestic communications satellite, in geostationary orbit.

1973 — The Canadian Broadcasting Corp. becomes Telesat's first customer, giving Canada the world's first national television system available by satellite.

1978 — Telesat launches Anik B, the world's first dual-band domestic communications satellite.

1982 — Telesat launches Anik C3 on the first commercial flight of NASA's space shuttle Columbia.

1990 — Telesat is the first company to manage a commercial launch of a western satellite on a Chinese rocket.

1992 — Telesat is privatized when it is sold to a consortium of telephone companies and Spar Aerospace Ltd.

1991 — Telesat launches Anik E1 and Anik E2 from the Arianespace site in French Guiana.

— Anik E2's antenna fails. Two months later Telesat engineers devise a solution to rescue it.

1994 — Anik E2 loses its momentum wheel. Telesat fixes it six months later.

1996 — MCI pays US$683 million for the last U.S. satellite orbital spot.

— Telesat president Larry Boisvert announces plans to launch four new satellites with unnamed American partners.

— Anik E1 loses power and Telesat fears two-thirds of its transponders will never work again.

— Anik E1 signals are consolidated and moved to Anik E2, but ExpressVu, a DTH satellite television company, is told that Telesat cannot find space for its signals even on the four new satellites that it is planning to launch.

EXHIBIT 8

CANADA SEEKS CHANGES IN ITU BROADCAST SATELLITE PLAN FOR AMERICAS

Source: *SATELLITE WEEK*

SATELLITE WEEK via Individual Inc. : Canada has requested that ITU modify its 1983 Broadcast Satellite Service (BSS) plan to allow Canadian-licensed satellites to point antennas at U.S. Move would enable TCI and TelQuest Ventures to use Canadian slots at 82 degrees and 91 degrees W to serve U.S. if FCC approves.

BSS plan, agreed to by countries in N. and S. America (ITU Region 2) in 1983, is designed to avoid interference among satellites for direct-to-home TV. Sources said changes such as those requested by Canada could raise interference and other issues. U.S. has up to 4 months to object to proposed modification, source said. U.S. hasn't developed position yet "because we just received the information and we're reviewing the technical details," said Joslyn Read, asst. div. chief, FCC International Bureau Satellite Div.

ITU staff member told us Canada's request could take 1-3 years to process. ITU Radiocommunication sector staff will perform technical and regulatory analysis, he said, and results will be published by ITU "not before the end of the year." Canada will be required to coordinate changes with U.S., he said, under ITU rules. "There are clear guidelines and technical criteria" that Canada must observe, he said.

Canada's request raises several issues, source at U.S. DBS permittee EchoStar said, including whether Canadian-licensed satellites will interfere with U.S. birds and whether current U.S. policy permits Canadians to broadcast into U.S. He said company hasn't developed position on issue because not all details are available. However, he said that when EchoStar paid $48 million for DBS slot at 148 degrees W in recent FCC auction "we believed then that foreign broadcasters were not allowed into the U.S. market and the rules are the same today."

MCI paid almost $700 million for better slot at 110 degrees W and has questioned plans of TCI and TelQuest. Susan Mayer, senior vp-ventures and alliances, MCI, waws on vacation and not available for comment. However, in letter to FCC International Bureau Chief Scott Harris, MCI said Commission should resolve questions about access to U.S. by foreign-licensed systems before it considers TCI and TelQuest applications. Meanwhile, Harris told us he's recused from this matter so he can concentrate on completing other items, including Ka-band rulemaking, digital audio radio service, 2nd round of little low-earth orbiting satellites, 2nd domestic international satellite consolidation order (DISCO 2).

Canada hasn't allocated slots to TCI or TelQuest, but TCI has been given "sufficient assurances to proceed," TCI Senior Vp Robert Thomson told us. Rather than pay one-time auction fee, TCI will pay substantial annual fees to Canada, expected to total "tens of millions of dollars," he said. TCI also is pursuing another option to get into U.S. DBS market using orbital slot that MCI acquired in auction, he said.

As for Canada, Thomson said technical interference "should not be an issue" because adequate separation exists between satellites. He said ITU should issue its report before end of year because TCI plans to launch its 2 Space Systems/Loral-built satellites by then. "We urge all regulators to move with all deliberate speed on this matter. We are offering our cooperation in order to expedite this," he said. On market access, Thomson said it would be anticompetitive of DirecTV parent Hughes to argue in favor of allowing its Galaxy service to operate in Latin America while also opposing allowing foreign-licensed satellites into U.S. "What's good for the goose is good for the gander," he said.

DirecTV Vp John McKee said company would support Canada's proposal if country adopts reciprocal rules. Power DirecTV, partnership with Canadian firm Power Bcstg., was granted DBS license by Canada but turned it down because of restricted programming content and required use of Canadian uplink site and Canadian transponders. McKee said that if those restrictions are removed, business there probably would be viable. He said there should be no technical interference concerns with use of 82 degrees and 91 degrees W.

[04-18-96 at 17:17 EDT, Copyright 1996, Warren Publishing]

This story is cataloged in the following topics:
Direct Broadcast Satellites
Direct Broadcast Satellites
Direct Broadcast Satellites
Direct Broadcast Satellites

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EXHIBIT 9

Nader group urges U.S. control of Telesat signals

BY PETER MORTON
Washington Bureau Chief The Financial Post

The U.S. government is being urged to take control of some Canadian satellite frequencies to prevent U.S. direct-to-home companies using foreign satellites to dominate the U.S. market.

In an April 16 letter to the Federal Communications Commission, a consumer group led by activist Ralph Nader said U.S. company Echostar Communication Corp. will have 34% of Canadian and U.S. satellite frequencies if it is allowed on Telesat Canada's planned $1.6-billion system.

Nader's group, Washington-based Consumer Project on Technology, said the FCC should encourage competition by limiting the number of frequencies given to any U.S. company.

"And in determining those limits, the commission should consider ownership and control over the Canadian frequencies if those frequencies are used to broadcast to U.S. consumers," said the letter, obtained by The Financial Post.

Echostar has been gobbling up direct-to-home satellite licences in the U.S. and is trying to get 32 of the 64 Canadian frequencies being offered by Telesat on its new satellites.

Ralph Nader: Spur competition by limiting frequencies.

Telesat has been trying to attract U.S. partners in its program to finance the launch of four new satellites at $400 million each, capable of beaming throughout North America.

But it has run into a string of technical problems, the last of which led to a partial shutdown of its Anik E-1 satellite, leaving Canadian DTH company ExpressVu Inc. scrambling to find new satellite space to launch its own planned service this year.

Ottawa-based Telesat has refused to relinquish space to ExpressVu it has earmarked for Echostar and other U.S. companies on any its planned four satellites. Telesat was unavailable for comment.

Echostar competitor Tele-Communications Inc. is also trying to get on to Telesat's planned satellites, which Consumer Project feels would lead to two or three U.S. companies dominating the emerging DTH market in the U.S.

The two U.S. companies have been grabbing for North American satellite slots after another major U.S. player, MCI Communications Corp., won an FCC auction by paying US$683 million last month for the remaining 28 direct broadcast slots available on U.S. satellites.

EXHIBIT 10

Satellite Business® News

FAX UPDATE

Vol. 2 No. 35 Monday ◆ April 22,1996

DIRECTV HELPS BOOST HUGHES

Hughes Electronics reported an increase in revenues and earnings for the first quarter, propelled by DirecTv subscriber growth and satellite transponder sales, the company said Friday. Earnings per share increased 16.4 percent, from 67 cents per share in 1995 to 78 cents per share this year. However, operating profit, dropped 9.5 percent, due to a decline in Delco Electronics revenues caused by lower GM production resulting from a 17-day strike. Hughes' Telecommunications and Space division growth "was principally due to DirecTv subscriber growth, the $120.3 million pre-tax gain from the sale of 2.5 percent of DirecTv to AT&T, and higher Galaxy satellite transponder sales," the company said. Operating profit for that division increased 136.5 percent to $74.5 million in the first quarter, compared to $31.5 million in the same period in 1995. Lower DirecTv operating losses partially accounted for the increased profit, the company said. Hughes stock dropped $1.375 to $61.375.

In the next **Satellite Business® News**

- Antenna manufacturers adjust to changing market
- New crop of TVRO lenders pops up
- More DBS auctions loom on the horizon

MCI COMPLICATES CANADIAN DBS PICTURE

MCI Telecommunications is the latest would-be DBS operator to join the intensifying battle over use of Canada's DBS orbital slots. MCI Chairman Bert Roberts and Chase Carey, president of News Corp.'s Fox TV, recently met with Rod Osbome from Bell Canada's parent company to press the Canadian company to alter or scuttle separate DBS agreements Telesat Canada has been working on with Tele-Communications Inc. and TelQuest Ventures, sources said. Bell Canada owns more than half of Telesat. As that nation's only satellite operator, Telesat has *de facto* control of Canada's orbital capacity. TCI has also been in discussions about a joint venture with MCI/News Corp., which hope to launch a U.S. DBS service by the end of next year. MCI controls the 110-degree orbital slot—the United States' last full-CONUS DBS slot—but the company is at least two years away from having satellites to place in it without TCI.

Sources familiar with the meeting said Roberts and Carey suggested Telesat would be far better off joining some effort with MCI/News and TCI. How heavily MCI/News lobbied Bell Canada remains unclear. Some sources suggested they simply reminded the company of their political clout in the United States, particularly at the FCC. Others suggested they went farther, suggesting Bell Canada's core telephone business could be impacted. Reached last week at his Los Angeles office, Fox's Preston Padden, head of the company's Wash-ington operation and a key player in the discussions, would "not acknowledge" the meeting occurred. Padden declined to comment further, disconnected the line, and did not return a call moments later.

EXHIBIT 11

WASHINGTON, April 25 /PRNewswire/ -- The Federal Communications Commission should deny pending applications that would use Canadian satellites to c .cumvent U.S. policy on the provision of Direct Broadcast Satellite (DBS) service in the United States, MCI (Nasdaq-NNM: MCIC) and News Corporation (NYSE: NWS) said today.

In petition filed today with the FCC, MCI and News Corporation said the Commission should deny requests from Western Tele-Communications, Inc. and TelQuest Ventures, L.L.C. to beam programming from Canadian satellites into the American market. Western Tele-Communications is affiliated with Denver-based Tele-Communications, Inc., the largest cable operator in the United States. TelQuest is controlled by the chairman of CAI Wireless Systems, the wireless cable operator in which Bell Atlantic and NYNEX have a significant interest.

"It would be unfair to U.S. companies to permit a Canadian satellite free access to U.S. customers while Canadian imposes strict content restrictions on the transmission of programming from the U.S. into Canada," said Preston Padden, chairman of American Sky Broadcasting, one of two new satellite companies formed by MCI and News Corporation.

The U.S. favors strong reciprocity rules permitting U.S. programming to be delivered into foreign markets. Canadian law currently places strict limits c the amount of American programming that can reach Canadian consumers.

"We at MCI and News Corporation don't know why WTCI and TelQuest should get special treatment from the FCC. Let's make sure that U.S. taxpayers and U.S. programmers get the protection they deserve," Padden said.

The FCC last year adopted a policy of auctioning off U.S. satellite spectrum to the highest bidder to raise money for the U.S. Treasury.

"The auction policy should be applied to all U.S. companies equally," said Susan Mayer, president of SkyMCI, the second satellite joint venture. If these licenses are granted, Mayer said, "American taxpayers will be subsidizing WTIC's and TelQuest's Canadian service."

MCI in January was the winning bidder in the FCC auction of what the commission described as "the last available Direct Broadcast Satellite" slot capable of providing service to the entire United States. TCI was among the unsuccessful bidders. TelQuest did not participate.

MCI and News Corporation, through SkyMCI and American Sky Broadcasting, will offer entertainment and information services to consumers and businesses from t' ` satellite slot MCI won in the auction. The companies have contracted with Space Systems/Loral, Inc. to build and launch two, 32-transponder satellites. Service is scheduled to begin next year.

Mayer explained that "U.S. policy does not permit an applicant that has avoided or lost the recent DBS auctions to, nevertheless, gain equivalent DBS rights for free without reimbursing the U.S. Treasury." If these licenses are granted, said Mayer, "American taxpayers will be subsidizing WTCI's and TelQuest's Canadian."

MCI, headquartered in Washington, D.C., is one of the world's largest and fastest growing diversified communications companies. With annual revenue of more than $15 billion, MCI offers consumers and businesses a broad portfolio of services including long distance, wireless, local access, paging, Internet software and access, information services, outsourcing, business software, advanced global telecommunications services, and music distribution and merchandising.

News Corporation is one of the world's largest media companies. News Corporation's diversified operations include the production and distribution of motion pictures (through the 20th Century Fox film studio) and of te'evision programming; broadcast television (through the Fox network in the Ui ied States); cable and satellite television; computer information services; and the publication of newspaper, magazines, books and promotional, free-standing inserts.

CO: MCI Communications Corp.; News Corp.

ST: District of Columbia

IN: TLS

SU:

04/25/96 16:23 EDT

EXHIBIT 12

Top of the Week

MURDOCH/MCI JOINS THE CROWD

Going for it in DBS

Consumer service, to be headed by Fox's Padden, wants to include local TV

By Harry A. Jessell

When it goes into business late next year, the satellite broadcasting venture of Rupert Murdoch's News Corp. and MCI will provide the same cable programing as do its competitors. But it may also offer some popular programing its rivals lack: local TV stations.

American Sky Broadcasting (ASkyB), the consumer half of the News Corp./MCI venture, is looking to create a "seamless combination" of broadcast and cable programing as cable now does, says ASkyB's newly appointed chairman, Preston Padden.

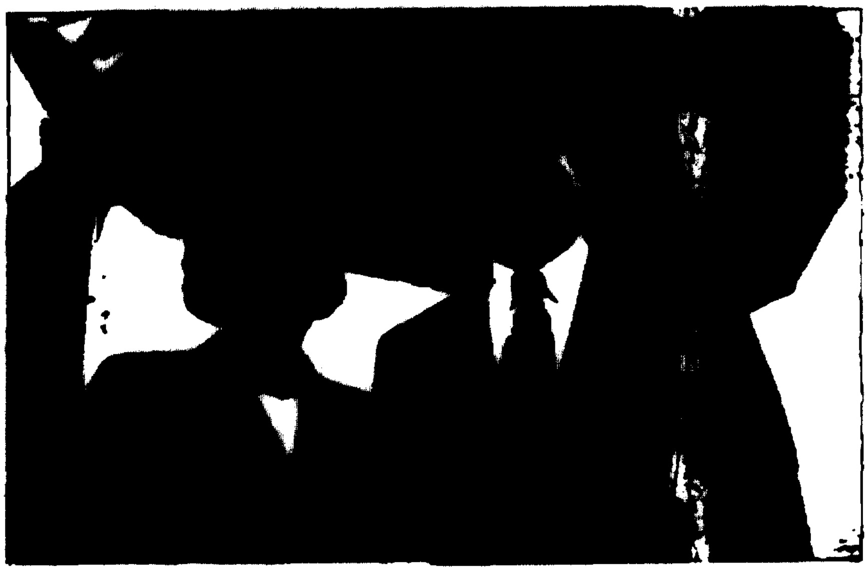
ASkyB subscribers would receive broadcast signals from only their own market, he says, adding: "We're 1,000% committed to preserving the integrity of local broadcasting."

Through Fox Broadcasting, News Corp. has a "huge pile of chips on the square that says 'local terrestrial broadcasting,'" Padden says. "This service is going to evolve in a way that is supportive and complementary of local broadcasting."

Padden is stingy with details, but he concedes that ASkyB will not have nearly enough channels to offer local signals throughout the country. "You could start with some of the big markets," he says.

With the help of digital compression, the venture will be able to deliver "hundreds" of channels of programing, Padden says. The exact number will depend on the state of rapidly advancing compression technology at start-up, he adds.

Inclusion of local stations in DBS packages makes sense to Fox affiliate board member Bob Leider of WSVN-TV Miami. "What's the difference between [ASkyB] and cable?" he says. "Everybody has to keep an open mind in distribution of their signals."



Susan Mayer and Preston Padden will lead News Corp./MCI into satellite broadcasting as heads of separate operating companies. MCI executive Mayer is president and COO of SkyMCI, which will offer services for businesses. Padden, a Fox executive, becomes chairman and CEO of American Sky Broadcasting, which will handle consumer services. They report to a six-person board, including three officials from each of the two companies.

Pioneer DBS providers DIRECTV and USSB lack the local broadcasting feature. That means their subscribers must either continue to subscribe to basic cable or erect VHF-UHF antennas to receive local broadcast signals. ASkyB's plan "makes DBS complete because it will have the hometown stations as part of the package," says Leider.

News Corp./MCI last week announced the structure and management of its venture. As head of ASkyB, Padden will be responsible for services targeting consumers. A separate unit, SkyMCI, was created to serve the communications and information needs of businesses. It will be led by Susan Mayer as president. Mayer was the MCI senior vice president who crafted the deal with News Corp.

MCI paid nearly $700 million at an FCC auction last January for 28 DBS channels. Pursuant to its agreement with News Corp., MCI will lease the channels to the 50/50 joint venture. According to Padden, the venture expects to spend $1.5 billion–$2 billion between now and the start of the high-power service in late 1997.

In a deal valued at $[illegible]00 million, the venture last March awarded Space Systems Loral a contract to build and launch two 32-transponder satellites. The first is slated for launch aboard a Russian Proton rocket in late 1997; the second, on an Atlas II AS in early 1998.

Padden says News Corp. and MCI still hope to bring Tele-Communications Inc. into the venture. TCI has DBS satellites ready for launch. With those birds in hand, News Corp./MCI/TCI could be in business by the end of this year.

But the TCI deal is hung up because of TCI's partnership with Time Warner and other large cable operators in Primestar. Mounted as cable's answer to DIRECTV, Primestar offers a medium-power service requiring larger dishes (about one meter) than do high-power services like DIRECTV and ASkyB. "We would be thrilled to do a deal with TCI, but it has issues with Primestar that we can't resolve for them," Padden says.

Even without TCI, says SkyMCI's ...yer, the venture could be in business ...is year, in at least a limited way. It also is looking at ways to introduce services earlier through the use of conventional satellites and other media, she says.

While courting TCI, News Corp./MCI also is trying to block approval of TCI's plan to acquire DBS channels from TeleSat Canada and use them to provide service in the U.S. At the FCC and in meetings with Canadian officials, Padden says, News Corp./TCI has argued that blessing TCI's scheme would be unfair. MCI paid $700 million for what the FCC advertised as the last channels available for nationwide U.S. DBS service, he says.

Blocking use of the Canadian channels is critical, even if TCI joins the News Corp./MCI venture, says Mayer. "Somebody else may use the slots to come into the U.S."

In fact, as Mayer and Padden point out, somebody else already is trying. TelQuest Ventures, a start-up company with ties to the merging Bell Atlantic and Nynex, also has put in a request for the Canadian channels.

Padden says consumers probably will have the option of leasing their receiving equipment from ASkyB. DIRECTV, USSB and EchoStar Communications subscribers must buy their dishes, which run as high as $700, excluding installation.

Coming to the market late is usually not a good idea, but in News Corp./MCI's case, it will allow the venture to take advantage of the most advanced digital technology, says Mayer. "We'll be five to seven years ahead of cable's ability to offer a comparable array of digital services to a substantial number of their subscribers." ■

EchoStar woos cable subs

Dishman is pushing EchoStar's low-cost DBS service in television spots.

EchoStar Communications, the latest satellite broadcasting entry, will begin making a grab for cable subscribers this week. Starting Wednesday, it will begin airing spots on major broadcast and cable networks that promise a better deal. "What would you say if I gave you America's top 40 TV channels for $19.95 a month?" the "Dishman" character asks working-class people in the spots. (The 40-channel basic package plus HBO multiplex goes for $29.95, according to a CSR at 1-800-333-DISH. The basic 18-inch dish and receiver, available initially only through backyard-dish dealers, sells for $550 plus installation.)

At the Capitol Hill unveiling of the campaign last Thursday, Barbara Sullivan, EchoStar marketing vice president, said that the campaign's initial flight will air for eight weeks, with the goal of reaching 80% of adults at least six times. A subsequent flight may include local buys. —MAJ

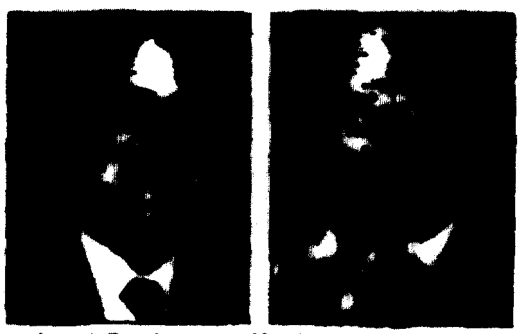
New World/News Corp. deal on hold

Price gap of $500 million appears to be stumbling block to sale

By Steve McClellan

Will Ronald Perelman sell New World Communications Group to News Corp.? Maybe, but sources on both sides said last week that a deal isn't imminent and that no further talks have been scheduled.

Price is the big—really big—issue. There's close to a $500 million difference between what Perelman wants (roughly $2 billion) and what News Corp. Chairman Rupert Murdoch is willing to pay.



Although Perelman and Murdoch did not come to terms, sources at New World think that talks could resume 'at a moment's notice.'

Related to that issue is the fact that Murdoch really doesn't want to buy the New World Entertainment programing and distribution arm—and therefore doesn't want to pay a huge premium for the company.

NWCG stock was down $1.75 in midday trading last Friday, to $18, giving the outstanding common stock (68.6 million shares) a value of just over $1.2 billion. During the past year, it has traded as high as $25 and as low as $14. Murdoch already owns 20% of NWCG, acquired as part of the seismic programing and affiliate alliance the companies struck in 1994.

"I don't think there is anything complicated about what's going on," said one high-ranking News Corp. executive. "There were extensive talks where we tried to come to terms on price. We didn't do that, and now there are *no active discussions. Rupert* made it clear he didn't want to pay a ridiculous price" for the New World assets.

Last Friday, sources confirmed that New World managers were told talks had broken off and that the company "was going forward to pursue its strategy of growth." Despite that, "nobody around here believes *those* talks can't pick up where they left off at a moment's notice and get done," said one New World source.

News Corp. is the most logical buyer because of its existing 20% stake (purchased for an average $12-$13 per share) in New World and because there is only one market—Birmingham, Ala.—where both companies own stations. All but two of the 12 New World stations are locked into 10-year Fox affiliation agreements. ■

EXHIBIT 13

Ottawa considering space-slot auction

BY ROBERT BREHL
BUSINESS REPORTER

Canada is considering American-style auctions for prized satellite orbital slots, Industry Minister John Manley says.

The latest auction reaped U.S. taxpayers $683 million (U.S.), or about $922 million (Canadian) at current exchange rates, earlier this year for an orbital slot — a parking spot in space for high-powered satellites.

"We're moving toward auctioning spectrum like the Americans," Manley told The Star.

But in an interview yesterday, Manley defended his government's deals with Telesat Canada, a private company that has received approval in principle for two prime orbital slots without paying any up-front fees.

(Canada owns four other orbital slots, but only one is considered as prized as the two handed to Telesat.)

Telesat, in turn, is negotiating with U.S. companies to share the costs of launching and operating satellites by renting out most of the satellite capacity to the Americans.

Telesat has refused to tell taxpayers what benefits, if any, they are getting from Telesat's use of Canadian-owned resources.

Telesat is controlled by a cartel of phone companies dominated by Bell Canada-parent BCE Inc.

Manley said Canadian taxpayers will reap unspecified financial rewards through yearly licensing fees.

"We would expect fair market value," the minister said. The orbital slots "are not being given away to the Americans."

When it comes to licensing fees for radio spectra for devices such as cellular phones and radios, the Canadian government gets more money ($135 million) than the U.S. ($89 million) per year, Manley said.

The minister acknowledged recent auctions in the U.S. have garnered billions of dollars for American taxpayers.

Many have also questioned whether the federal government should have privately handed Telesat the slots without public consultation or tendering.

After all, the government opened up radio spectra for the new mobile phones known as PCS to a public process.

Manley said Canada has owned the orbital slots for 13 years and his staff has told him no one other than Telesat came forward.

"In that sense it was public because nobody expressed interest in acquiring the slots other than Telesat," Manley said.

But The Star is aware of at least three companies — other than Telesat — that have made inquiries to both Industry Canada and Telesat over Canadian orbital slots.

One company, WIC Western International Communications Ltd., applied in writing to Telesat last Nov. 28.

Several key questions remain if Ottawa moves to auctions:

- Will the Telesat deals be exempt from auction or does it halt the tentative deals? If Telesat is exempt, does that not provide it with a huge competitive advantage?
- Forcing new entrants to pay huge up-front costs would give cable TV further competitive advantage, especially since cable did not pay for its licences. In a bid to create sustainable competition, will cable be asked to pay for its licences now?

Meanwhile, according to filings in Washington, the American direct-to-home broadcast companies plan to use most of the satellite capacity from the Canadian orbital slots.

Manley insists that however things turn out, "Canadian needs will be met first."

But some question whether having only five of 32 satellite transponders reserved for Canadians — the rest going to Americans under one Telesat deal — will meet all Canadian needs.

EXHIBIT 14

Declaration of Barbara Sparks

I, Barbara Sparks, hereby declare, under the penalty of perjury, the following:

1. I reside at 3772 East Costilla Avenue, Littleton, Colorado.

2. I am Executive Vice President of TelQuest Ventures, L.L.C. ("TelQuest").

3. I have worked in the satellite telecommunications business for approximately 7 years.

4. TelQuest's business plan calls for the distribution of digitally-compressed and encrypted video programming through the use of direct broadcast satellite ("DBS") technology. This programming will be sold to competitive, terrestrial multichannel video programming distributors ("MVPDs") such as wireless cable systems and small franchised cable systems, as well as being distributed on a direct-to-home ("DTH") basis. To provide this service, TelQuest will require at least 16 and ideally 22 satellite transponders.

5. Between December 1994 and November 1995, I contacted the following entities on behalf of TelQuest to determine whether they had suitable satellite capacity that TelQuest could lease or purchase on a domestic DBS satellite to further its business plans. As demonstrated below, I received negative responses from all of them.

a. EchoStar Satellite Corp. ("Echostar"): I spoke with Mr. Bill Vanderpool, Vice President, New Business Development, on three occasions; once during the week of March 12, 1995, again during the week of April 16, 1995, and once again during the week of May 1, 1995. During the course of these three conversations, I made it clear to Mr. Vanderpool that TelQuest would require lease or purchase agreements for at least 16 transponders. Mr. Vanderpool consistently responded that TelQuest should consider EchoStar's own digital distribution system, which is still in development. Despite my strong expressions of interest, Mr. Vanderpool never indicated that EchoStar had transponders available for TelQuest's needs.

b. DBS Industries ("DBSI"): I had at least four telephone conversations with Mr. Fred Thompson, then of DBSI, on April 10, May 2, and May 3, 1995, regarding our satellite needs. Mr. Thompson indicated that Mr. Charlie Ergen, CEO of EchoStar, also held a substantial interest in DBSI, and that Mr. Thompson would speak to Mr. Ergen regarding TelQuest's needs. It is my understanding that EchoStar was a major shareholder in DBSI at the time of these conversations, and that DBSI has since been acquired by EchoStar.

c. Direct Broadcast Satellite Corp. (DBSC): I met with Mr. Harley Radin of DBSC in Washington on August 15, 1995, and later in New York with Mr. Radin of DBSC and Mr. John Shackelford, a consultant for DBSC. I made clear to Mr. Harley that TelQuest would need access to transponders which it leased or owned outright. On November 21, 1995, Messrs. Radin and Shackelford outlined a proposal to me that included control over programming by DBSC. Because this type of proposal did not fit into TelQuest's business plan, negotiations were discontinued. It is my understanding that EchoStar was a major shareholder in DBSC at the time of these conversations, and that DBSC was subsequently purchased by EchoStar.

d. DIRECTV/Hughes Communications: During the last quarter of 1995, a consultant retained by TelQuest, who reported directly to me, made contact on behalf of TelQuest with Don Gabriel of Hughes. Hughes indicated that some capacity might exist on FSS satellites slated for launch in 1997. In later conversations, however, Hughes concluded that it was unwilling to take actions that would result in competition to DIRECTV, which I understand to be an affiliate or subsidiary of Hughes. On this basis, negotiations were discontinued.

e. Dominion Video Satellite ("Dominion"): On April 4, 1995, I met with Mr. Bob Johnson of Dominion in Naples, Florida. Mr. Johnson indicated that Dominion had no suitable transponders available for TelQuest's proposed venture.

f. GE Americomm ("GE"): TelQuest's consultant spoke with Mr. Jack Hyle of GE in the second half of 1995. I have also spoken often over the last year with Mr. Andreas Georgiou and Ms. Laura Thatcher. Ultimately, it became clear GE could not meet TelQuest's needs.

g. AT&T: I had many conversations with Mr. Ted Corus, Ms. Joan Hedinger, and Mr. Karl Savatal of AT&T Skynet in late 1995, and learned that no transponder capacity was presently available.

h. Loral: During the second half of 1995, I spoke at various times with Messrs. Mike DeBlassio, Mickey Targett, Dan Collins, Tom Johnston, and Rex Hollis of Loral regarding many matters, including the availability of their potential DBS channels at 61.5° W.L. I was told that the DBS capacity had already been leased to another party.

6. To my knowledge, these entities collectively control all domestic United States DBS capacity, with the exception of those orbital slots recently awarded by the FCC to MCI.

I declare under penalty of perjury that the foregoing is true and correct based upon my personal knowledge thereof, except as otherwise expressly stated.

Executed this 6th day of May, 1996.

By: B Sparks
Barbara Sparks

EXHIBIT 15

Telesat

Telesat Canada
1601 Telesat Court
Gloucester, Ontario
K1B 5P4

L.J. (Larry) Boisvert
President and Chief Executive Officer

May 6, 1996

Mr. William F. Canton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
WASHINGTON, D. C. 20554

Dear Mr. Canton:

Re: **TelQuest Ventures, L.L.C. Initial Application for a License for a Fixed Satellite Transmit/Receive Earth Station and Blanket License for Receive-Only Earth Stations 758-DSE-P/L-96; 759-DSE-96**

Telesat Canada ("Telesat") respectfully submits this letter in support of TelQuest Ventures, L.L.C's ("TelQuest") application for a license to construct and operate a new transmit/receive earth station and a blanket license for one million receive-only earth stations. The proposed uplink and receive dishes will be used to communicate with a Canadian/American DBS satellite to be located in the Canadian orbital position at 91° WL. Telesat intends to proceed with and finalize the proposed DBS venture with TelQuest as promptly as possible.

By way of background, Telesat is the sole owner and operator of fixed satellites in Canada. Telesat has a statutory mandate to provide telecommunications services to all parts of Canada including the far north and remote areas. The proposed DBS service with TelQuest will provide full Canadian coverage, thus ensuring access by the entire Canadian market. In addition, Telesat is authorized by the Canadian government to provide fixed satellite services on a transborder basis to points between Canada and the U.S.

The Telesat/TelQuest venture is the logical outgrowth of three interrelated circumstances. First, certain orbital positions in the DBS service secured by Canada in 1983 through the ITU could accommodate full CONUS as well as all-Canada coverage. Second, Canadian DBS requirements can be satisfied with

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substantially less than the full capacity of satellites most efficiently using the Canadian DBS orbital positions. Third, potential U.S. DBS providers face a shortage of U.S. orbital positions with full CONUS coverage and thus seek to acquire DBS capacity in Canadian orbital positions to enter and compete in the U.S. market as U.S.-controlled and regulated DBS operators.

The soon-to-be finalized Telesat/TelQuest venture will respond to these three circumstances by providing for the launch and operation of two satellites at 91° WL whose capacity will be divided between Telesat and TelQuest. Telesat will use its DBS capacity to service Canadian DBS operators. TelQuest will use its capacity for the provision of DBS services in the U.S. market. Telesat will have no control of or financial interest in TelQuest's DBS operations. TelQuest will be solely responsible for the content of its DBS service, for compliance with any applicable FCC regulations and for the economic risk and reward of its venture. Thus, Telesat is not seeking to become a U.S. DBS operator or to provide leased capacity to a U.S. DBS operator. Rather, Telesat seeks only to convey in-orbit transponders, excess to Canadian requirements, to a U.S. buyer seeking to enhance DBS competition in the U.S. market.

The obvious benefits to the U.S. and Canada arising from the proposed Telesat/TelQuest arrangements echo the benefits achieved from previous Canadian-U.S. cooperative satellite efforts. Since the first recognition of the possibility of mutually-supportive satellite systems in the 1972 Exchange of Letters between the U.S. and Canada, Telesat satellite facilities have been used by RCA, AT&T, GCI, GT&E and others to bolster service to U.S. customers during periods of capacity shortage. Similarly, Telesat was greatly assisted by AT&T, Galaxy and other U.S. satellite providers in restoring service to its Canadian customers when ANIK E2 failed in 1994.

Telesat applied to Industry Canada for permission to launch into 91° WL and 82° WL some six months ago. The extensive business plan presented to Industry Canada by Telesat disclosed the joint venture concept and pointed out that such ventures were the fastest and most efficient means to enable a Canadian DTH/DBS initiative to be introduced into the Canadian market. In fact, the economic limits of the Canadian market had precluded earlier development of a Canadian DTH/DBS initiative notwithstanding the availability of six Canadian orbital slots from 1983 onwards.

On February 27, 1996, following weeks of discussion with the Canadian government, the Minister of Industry provided its support to Telesat for the 91° WL and 82° WL orbital positions subject to certain conditions which Telesat is confident will be satisfied. Subsequently, the Canadian government has